

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 INT-05 OPIC-03 CIAE-00

INR-07 NSAE-00 L-03 H-02 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 PA-01 PRS-01

USIA-06 /080 W

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R 171740Z SEP 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6845

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E.O. 11652: GDS TAGS: EINV, EMIN, PFOR, PE

SUBJECT: MARCONA - MARCONA OFFICIALS CALL ON MINES MINISTER
AND OTHER DEVELOPMENTS

REF: LIMA 7618

1. SUMMARY: MARCONA OFFICIALS MET WITH MINES MINISTER LA VERA MORNING OF SEPTEMBER 15. LA VERA GAVE THEM CORDIAL AND UNDERSTANDING RECEPTION. THEY ARE NOW ENCOURAGED THAT SETTLEMENT WILL BE POSSIBLE, THAT MORE RAPID PROGRESS IS IN PROSPECT, AND THAT LA VERA RECOGNIZES THAT COMPENSATION MUST BE "SIGNIFICANT". END SUMMARY

2. MARCONA OFFICIALS FURTH AND COMPTON CALLED ON AMBASSADOR AFTERNOON OF SEPTEMBER 15 TO INFORM HIM OF THEIR MEETING WITH MINES MINISTER LA VERA EARLIER THAT DAY. THEY SAID MINISTER WAS ACCOMPANIED BY VICE MINISTER TORD, LEGAL ADVISOR DELGADO, AND DIRECTOR GENERAL OF MINING IATACA, AND DESCRIBED MEETING AS TAKING PLACE IN FRIENDLY ATMOSPHERE.

3. FURTH SAID HE BEGAN DISCUSSION BY NOTING MARCONA CONCERN AT SLOW PACE OF DISCUSSIONS AND IMPORTANCE TO BOTH SIDES OF FINDING A MUTUALLY ACCEPTABLE SOLUTION AS PROMPTLY AS POSSIBLE. LA VERA RESPONDED THAT HE
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SHARED THIS VIEW AND THAT IT WAS ALSO DESIRE OF PRESIDENT

AND GOP IN GENERAL. HE RECOGNIZED THAT SETTLEMENT IS IMPORTANT SINCE PERU IS INTERESTED IN GOOD RELATIONS WITH THE U.S. LA VERA WENT ON TO NOTE HIS FRIENDSHIP WITH THE AMBASSADOR AND HIS APPRECIATION FOR AMBASSADOR'S TRAVELS WITH HIM THROUGH EARTHQUAKE ZONE WHEN HE (LA VERA) HEADED ORDEZA AND FOR AMBASSADOR'S CALL ON HIM THE WEEK BEFORE.

4. FURTH SAID HE APPRECIATED THE MINISTER'S COMMENTS BUT ADDED THAT HE HAD BEEN SURPRISED IN MIDST OF HIS MEETINGS WITH PERUVIAN NEGOTIATORS BY NEWS FROM TOKYO THAT PERUVIAN TEAM IS VISITING JAPAN TO TALK WITH STEEL COMPANIES. LA VERA REPLIED THAT THIS WAS ONLY EXPLORATORY MISSION BY HIERROPERU AND HAD NO RELATIONSHIP TO MARCONA OR NEGOTIATIONS. FURTH NOTED THAT GIVEN GEOGRAPHIC LOCATION OF MINE AND CURRENT ECONOMIC CONDITIONS, BEST HIERROPERU COULD HOPE FOR IS REACTIVATION OF PRESENT CONTRACTS. LA VERA ACCEPTED THIS OBSERVATION WITHOUT COMMENT.

5. LA VERA SAID THAT RESULTS OF SEPTEMBER 12 MEETING WOULD BE REPORTED TO SMALL GROUP OF MOST IMMEDIATELY CONCERNED MINISTERS, AND POSSIBLY TO CABINET AT REGULAR SEPTEMBER 16 MEETING. HE, OF COURSE, WOULD CONTINUE TO GIVE PROBLEM HIS PERSONAL ATTENTION. FURTH NOTED THAT PACE OF NEGOTIATIONS WOULD BE AIDED IF MARCONA COULD BE GIVEN ACCESS TO ITS RECORDS. TORD RESPONDED THAT MINISTER HAD ALREADY SIGNED ORDER TO THIS EFFECT. MEETING ENDED ON CORDIAL NOTE.

6. FURTH AND COMPTON ALSO INFORMED AMBASSADOR OF SUPPOSEDLY RELIABLE ACCOUNT OF WHAT HAD TAKEN PLACE AT CABINET MEETING SEPTEMBER 9. FOLLOWING LENGTHY DISCUSSION OF MARCONA QUESTION, PROPOSAL WAS MADE THAT NEW DECREE LAW BE ISSUED WHICH WOULD OSTENSIBLY DEAL WITH COMMERCIALIZATION BUT WHICH WOULD ALSO CONTAIN PROVISIONS WHICH WOULD SERVE TO RESOLVE SOME OF PROBLEMS CREATED BY ARTICLES 8 AND 9 OF EXPROPRIATING DECREE LAW. THIS PROPOSAL WAS NOT CARRIED TO DECISION AND SESSION TURNED TO QUESTION OF CIVILIAN APPOINTMENTS WHICH QUICKLY BECAME A DIVISION BETWEEN MODERATE AND RADICAL MEMBERS OF LIMITED OFFICIAL USE

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THE CABINET. IN THE END, IT WAS APPARENTLY TACITLY AGREED THAT RADICALS WOULD NOT PRESS CERTAIN APPOINTMENTS (INCLUDING THAT OF FORMER VELASCO PRESS SECRETARY ZIMMERMANN TO HEAD "EL COMERCIO") WHILE CONSIDERATION OF PROPOSED NEW DECREE LAW WOULD BE HELD IN ABEYANCE. IN MEANTIME, GROUP OF MOST IMMEDIATELY INTERESTED MINISTERS WOULD FOLLOW MARCONA PROBLEM. IT THUS APPEARED THAT NEED TO PRESERVE CABINET UNITY HAD INTERFERED WITH DECISION-MAKING PROCESS AT EXPENSE

OF MARCONA. (CANADIAN EMBASSY OFFICER
SUBSEQUENTLY INFORMED US THAT HE HAD
BEEN TOLD THAT CABINET MEETING HAD BECOME "RIGHT VERSUS
LEFT SET-TO" WITH LITTLE INTERFERENCE ON PART OF MORALES
BERMUDEZ.) MARCONA OFFICIALS ADDED THAT IT IS RUMORED
THAT MORALES BERMUDEZ IS WORRIED ABOUT GENERAL RODRIGUEZ
FIGUEROA AND THAT NEW DECREE LAW "COULD BE DANGEROUS".
THEY SAID THEY DID NOT KNOW HOW MUCH CREDENCE TO PLACE
IN FOREGOING, WHICH COULD HAVE BEEN DELIBERATELY FLOATED
TO INDUCE MARCONA TO SOFTEN ITS POSITION BECAUSE OF IM-
PLIED EFFECT ON THAT OF MORALES BERMUDEZ.

7. MARCONA OFFICIALS COMMENTED ON TRIP BY HIERROPERU
PRESIDENT BOSSIO TO U.S. THEY SAID HE IS PROBABLY GOING
TO EXPLORE HIRING OF U.S. FIRM TO STUDY POSSIBILITY OF RE-
COVERING COPPER TRACES FROM MINE TAILINGS. THIS IS OLD
PROBLEM, SOLUTION TO WHICH HAD ALWAYS EVADED MARCONA. HE
ALSO PROBABLY WANTS TO ESTABLISH DIRECT SUPPLY PURCHASING
ARRANGEMENTS. BOSSIO APPEARS DETERMINED NOT TO REINSTATE
PURCHASING THROUGH MARCONA AND REPORTEDLY HAS AUTHORIZED
OVERPAYMENTS OF 20 PERCENT IN HIS EFFORT TO AVOID BUYING
FROM THE U.S.

8. MARCONA OFFICIALS ALSO SAID THAT NEW HOUSING MINISTER,
ADMIRAL PAREDES, HAD APPROACHED THEM WITH REQUEST FOR PER-
SONAL BRIEFING. COMPTON SUBSEQUENTLY INFORMED EMBASSY
OFFICER THAT MARCONA LAWYERS GAVE PAREDES SEVERAL HOUR
BRIEFING AND THAT PAREDES WAS EXPLORING POSSIBILITY OF
SAME TEAM GIVING SIMILAR BRIEFING TO CABINET.

9. COMMENT: MARCONA OFFICIALS WERE CLEARLY ENCOURAGED BY
THEIR MEETING WITH MINES MINISTER AND HAVE CLEAR IMPRES-
SION THAT HE RECOGNIZES THAT COMPENSATION WILL HAVE TO BE
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"SIGNIFICANT". FURTH TOLD AMBASSADOR HE WOULD BE RETURNING TO
SAN FRANCISCO NIGHT OF SEPTEMBER 15-16 IN BELIEF THAT NEGOTIATIONS WILL

BE SUCCESSFUL AND THAT REASONABLY RAPID PROGRESS IS IN PROSPECT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA07687
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750323-0014
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750944/aaaabmbvb.tel
Line Count: 159
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LIMA 7618
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUL 2003 by ShawDG>; APPROVED <19 NOV 2003 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARCONA - MARCONA OFFICIALS CALL ON MINES MINISTER AND OTHER DEVELOPMENTS
TAGS: EMIN, EINV, PE, MARCONA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006